



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Required Report - public distribution

Date: 3/6/2003

GAIN Report #PE3002

**Peru**

**Oilseeds and Products**

**Annual**

**2003**

Approved by:

**Lawrence D. Fuell**

Prepared by:

**Gaspar E. Nolte**

**U.S. Embassy**

---

**Report Highlights:**

**Fishmeal production in CY2003 is forecast at 1.77 Million Metric Tons, an increase of 40,000 MT compared to the previous year. Soybean meal imports are expected at 500,000 MT and soy oil imports should reach 210,000 MT in CY2003.**

---

Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
Lima [PE1], PE

## **Executive Summary**

Total fish catch for Calendar Year 2003 is estimated at eight million metric tons, 200,000 MT higher than 2002. Fishmeal production for CY 2003 is estimated to increase 40,000 MT to 1.77 MMT. This increase is due to the recovery of the biomass and higher extraction rates. It is very difficult to make any predictions at this moment, especially since the fishing season is yet to begin, and the forecasted El Niño seems to be fading away. If El Niño does not disappear, the estimates of catch and production could suffer major changes. Fish meal exports for CY2003 are forecast at 1.75 MMT

Though somewhat recovered, the fishing industry still has a long way to go to recover from the financial crisis originated by El Niño which drove most of the fish away from the Peruvian coast in 1997/1998; the world wide economic crisis that stopped most of the exports to Asia and plummeting of prices. These exogenous problems resulted in a \$2 billion debt, which the industry has managed to bring down to \$1.4 billion, but it is still a heavy burden.

Fish oil production is forecast at 340,000 MT in CY 2003, 13 percent lower than the previous year. This drop is due to a lower fat content in the fish caused by warmer waters. Fish oil exports for CY 2003 are forecast at 260,000.

Soybean meal imports, most of which come from Argentina and Paraguay, are forecast at 500,000 MT for CY 2003, about eight percent less than the previous year. Soybean oil imports are forecast at 210,000 MT in CY 2003.

PSD Table						
Country	Peru					
Commodity	Meal, Fish				(1000 MT)(PERCENT)	
	Revised	2002	Preliminary	2003	Forecast	2004
	Old	New	Old	New	Old	New
Market Year Begin		01/2002		01/2003		01/2004
Catch For Reduction	8000	7800	0	8000	0	8500
Extr. Rate, 999.9999	0.225	0.221795	ERR	0.22125	ERR	0.221176
Beginning Stocks	20	70	20	228	0	158
Production	1800	1730	0	1770	0	1880
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	1820	1800	20	1998	0	2038
MY Exports	1750	1482	0	1750	0	1800
MY Exp. to the EC	500	371	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom. Consum	50	90	0	90	0	100
TOTAL Dom. Consumption	50	90	0	90	0	100
Ending Stocks	20	228	0	158	0	138
TOTAL DISTRIBUTION	1820	1800	0	1998	0	2038
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	1482	0	1750	0	0
Calndr Yr Exp. to U.S.	0	4	0	4	0	4

Export Trade Matrix	
Country	Peru
Commodity	Meal, Fish
Time period	2002
Exports for:	
U.S.	4203
Others	
China	591987
Japan	182034
Germany	134660
Taiwan	78523
Russia	62824
Canada	49300
Spain	48048
Iran	43843
Indonesia	41751
UK	33925
Total for Others	1266895
Others not Listed	211190
Grand Total	1482288

## **Fishmeal**

### **Production**

Total fish catch for Calendar Year 2003 is estimated at eight million metric tons, 200,000 MT higher than 2002. Fishmeal production for CY 2003 is estimated to increase 40,000 MT to 1.77 MMT. This increase is due to the recovery of the biomass and higher extraction rates.

The Peruvian fishing industry is still trying to recover since the 1997/1998 Niño and the Asian crisis. Current of \$600 for prime and \$450 for fair average quality (FAQ) fishmeal, are still more than ten percent lower than they were prior to 1997. Total industry debt is estimated at two \$1.4 billion.

The structure of Peru's fishing industry has changed little in the past five years. There are 110 fishmeal plants along the Peruvian litoral and the fishing fleet is comprised of 800 boats. Total processing capacity is 7,500 MT per hour, about four times over capacity. Most of the fishing plants have invested significant amounts on better and more efficient equipment. Processing plants are now forced to comply with some environmental regulations. Therefore most of them are now investing in "tail-water" discharge recovery systems, and even airborne particle recovery systems, both of which translate into higher extraction rates (and profits). Public awareness and international concern for environment problems caused by the fishmeal industry are likely to increase in coming years. Larger producers are also investing in canning or freezing lines, to convert more of the catch to higher valued products for human consumption, a trend expected to continue.

### **Consumption**

Local fish meal consumption only accounts for 5 to 7 percent of total production and does not have a great impact on the export market. Consumption for CY 2003 is forecast at about 90,000 MT.

### **Trade**

Fishmeal exports for CY 2003 are forecast at 1.77 MMT. With 591,987 MT, China continues to be the major importer followed by Japan, Germany, Taiwan and Russia. The Chinese market has been steady in 2002, but not as active as two years ago when it imported 942,000 MT. Peruvian shipments to Japan decreased almost 20 percent in 2002. Overall, Asia continues to be the leading market for Peruvian fishmeal, accounting for 65 percent of total exports.

### **Policy**

The GOP enforces two fishing ban seasons during the year which are implemented during the anchovy spawning seasons and may vary somewhat from year to year. Usually the bans are enforced from January to mid March and from August to mid November. The Ministry of Fisheries, through the Peruvian Sea Institute (IMARPE), measures the size of the fish and does not allow any fishing if the size is less than 12 centimeters.

The Government is very concerned about the sustainable limits of fish catches, and sets limits for the processing capacity of plants and the fishing capacity of fleets. Every processing plant and fishing vessel must apply for an operating permit, and receive a quota, from the Ministry of Fisheries, before it can begin operations each season. Moreover, the government is no longer issuing permits to build new plants or boats. The only venue to acquire a fishing boat is to buy one that already has a fishing permit. Some boat owners are being forced to sell their boats due to the deep financial crisis.

PSD Table						
Country	Peru					
Commodity	Oil, Fish				(1000 MT)(PERCENT)	
	Revised	2002	Preliminary	2003	Forecast	2004
	Old	New	Old	New	Old	New
Market Year Begin		01/2002		01/2003		01/2004
Catch For Reduction	8000	7800	0	8000	0	8500
Extr. Rate, 999.9999	0	0.05	ERR	0.0425	ERR	0.041176
Beginning Stocks	0	2	0	2	0	2
Production	0	390	0	340	0	350
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	0	392	0	342	0	352
MY Exports	0	314	0	260	0	270
MY Exp. to the EC	0	104	0	110	0	115
Industrial Dom. Consum	0	14	0	10	0	10
Food Use Dom. Consump.	0	52	0	60	0	60
Feed Waste Dom. Consum	0	10	0	10	0	10
TOTAL Dom. Consumption	0	76	0	80	0	80
Ending Stocks	0	2	0	2	0	2
TOTAL DISTRIBUTION	0	392	0	342	0	352
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	314	0	260	0	270
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

## **Fishoil**

### **Outlook**

Fish oil production is forecast at 340,000 MT in CY 2003, 13 percent lower than the previous year. This drop is due to a lower fat content in the fish caused by warmer waters. Oil extraction is directly related to water temperatures. Under normal weather conditions the oil extraction rate should be around 8 to 10 percent, but with El Niño conditions during 1998, which caused water temperatures to rise over 6 degrees Celsius above its normal temperatures, oil extraction dropped as low as one percent.

Exports for CY 2003 are expected at 260,000 MT, 17 percent lower than the previous year. Oil production and exports are difficult to forecast due to the high variability in fish oil content and the lack of official statistics.

Consumption in 2003 is expected at 80,000, a slight increase compared to 2002. Fish oil blended with vegetable oil is the cheapest, thus the most popular cooking oil for Peruvian domestic consumption.

PSD Table						
Country	Peru					
Commodity	Meal, Soybean					
					(1000 MT)(PERCENT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Crush	0	2	0	2	0	3
Extr. Rate, 999.9999	ERR	0.5	ERR	0.5	ERR	0.333333
Beginning Stocks	9	10	9	11	9	20
Production	5	1	5	1	0	1
MY Imports	450	420	480	543	0	500
MY Imp. from U.S.	100	42	100	92	0	100
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	464	431	494	555	9	521
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom. Consum	455	420	485	535	0	503
TOTAL Dom. Consumption	455	420	485	535	0	503
Ending Stocks	9	11	9	20	0	18
TOTAL DISTRIBUTION	464	431	494	555	0	521
Calendar Year Imports	0	420	0	543	0	500
Calendar Yr Imp. U.S.	0	42	0	92	0	100
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Import Trade Matrix	
Country	Peru
Commodity	Meal, Soybean
Time period	2002
Imports for:	
U.S.	92052
Others	
Argentina	200016
Paraguay	242924
Bolivia	7673
Total for Others	450613
Others not Listed	0
Grand Total	542665

## **Soybean meal**

### **Outlook**

Soybean meal imports are forecast at 500,000 MT for CY 2003, about eight percent less than the previous year. Nevertheless, imports in the last two years have been higher than the average imports, which have historically been around 240,000 MT per year.

With a per capita consumption of about 24 kilograms per annum, chicken meat is a staple product in the Peruvian diet and the second cheapest source protein after fish. Due to the limited availability of fish, the cheapest source of protein, consumers turned to chicken as a low-cost alternative starting in 1998. Per capita consumption of chicken grew from 17 kilograms per annum to 25 kilograms per annum when the effects of El Niño were strongest. Even though poultry meat demand fell somewhat after el Niño was over, it remained higher than before El Niño. Peru's poultry population is about 312 million birds per year.

With 242,924 MT, Paraguay was the leading soybean meal exporter to Peru in 2002, followed by Argentina with 200,016 MT. The U.S. exported 92,052 MT, about 50,000 MT more than in 2001. Despite the duty free agreement, Bolivia only exported 7,673 MT of soybean meal to Peru.

In 2001, Peru reduced import tariffs for soybean meal from 12 to 4 percent, thereby reducing the effects of tariff preferences agreements. Peru grants 100 percent reduction for Bolivian meal and 70 percent reduction for Paraguayan meal. Besides the tariff, every product imported into Peru or locally produced is assessed 18 percent value-added tax.

The Government of Peru as not yet impeded imports of any agricultural products due to "Biotechnology" concerns, nor expressed any inclination to do so. Nevertheless the Congressional Agriculture Committee attempted to pass a ban for GMOs twice in 2002. The GOP has established a committee to regulate production and trade of genetically engineered products. So far there has not been any effect on commercial trade but the government has started to received some questions from consumers' associations.

<b>PSD Table</b>						
Country	Peru					
Commodity	Oil, Soybean					
					(1000 MT)(PERCENT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Crush	0	2	0	2	0	3
Extr. Rate, 999.9999	ERR	0	ERR	0	ERR	0
Beginning Stocks	10	6	10	10	10	15
Production	0	0	0	0	0	0
MY Imports	130	194	140	237	0	210
MY Imp. from U.S.	70	69	75	35	0	60
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	140	200	150	247	10	225
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	130	190	140	232	0	215
Feed Waste Dom. Consum	0	0	0	0	0	0
TOTAL Dom. Consumption	130	190	140	232	0	215
Ending Stocks	10	10	10	15	0	10
TOTAL DISTRIBUTION	140	200	150	247	0	225
Calendar Year Imports	0	194	0	237	0	210
Calendar Yr Imp. U.S.	0	69	0	35	0	60
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

## **Soybean oil**

### **Outlook**

Soybean oil imports are forecast at 210,000 MT in CY 2003. Imports in 2002 were 237,000 MT. As the Peruvian economy recovers from a four year recession, oil consumption has begun to increase. Soy oil consumption in 2002 was 232,000 MT.

Peru has several bilateral trade agreements for crude soybean oil. Imports from Bolivia are duty free, while imports from Paraguay are granted 90 percent tariff reduction. Soybean oil from Argentina has 80 percent tariff reduction from the normal 12 percent rate. Soybean oil from any other origins are assessed 12 percent tariff. Oil coming from any of these countries is not exempt from the 18 percent value-added tax.

Soybean oil imported from the United States has been mainly under the PL-480 Title II Program operated by the U.S. Agency for International Development. Since this program has recently began switching to other commodities there will probably be a some reduction in the U.S. market share.